

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

Application No.	: 09/677,401	Confirmation No.	: 3108
First Applicant	: K. Jon Kern	Art Unit	: 3629
Filed	: 29 September 2000	Examiner	: Tan D. Nguyen
Title	: Loyalty reward program for reducing the balance of a loan obligation		
Docket No.	: 014-040001US		
Customer No.	: 33486		

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**APPLICANTS' REPLY BRIEF
(37 CFR § 41.41)**

This is a Reply to the Examiner's Answer mailed 26 July 2007.

Arguments

Assertions that Applicants Improperly Attacked the References Separately

On page 22 of the Examiner's Answer, the Examiner asserts that the Applicants improperly "attacked" the cited references individually even though the references are cited in § 103(a) rejections combining references. "Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" KSR Int'l Co. v. Teleflex Inc., 127 S. Ct. 1727, 1734, 82 USPQ2d 1385, 1391 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. Graham v. John Deere Co., 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966). See also KSR, 127 S. Ct. at 1734, 82 USPQ2d at 1391 ("While the sequence of these questions might be reordered in any particular case, the [Graham] factors continue to define the inquiry that controls.").

The Applicants' discussion of each reference in its Appeal Brief is at a minimum relevant to Graham factor (1) and is, therefore, proper. The Applicants also argued in their Appeal Brief against the asserted combinations set forth by the Examiner. For example, in

their arguments against the § 103(a) rejection of claims 8-28, 30, 32-54, and 71-89 (beginning on page 16 of their Appeal Brief), the Applicants intermix discussions of the references individually with discussions of the references in combination. In particular, the Applicants discuss the Examiner's primary reference, Feidelson, and the Examiner's secondary reference, Shurling, both individually and in combination. As a practical matter, it is impossible to always discuss a group of references in combination. Even when considering whether a combination of references renders obvious the Applicants' claimed invention, there will be discussions of the references individually.

The Applicants respectfully submit that they properly analyzed and discussed the cited references and the asserted combinations of those references in their Appeal Brief. This discussion of the Examiner's asserted combinations directly relates to Graham factors (1), (2), and (3).

Assertion of "No Patentable Weight"

In the Answer, the Examiner argues for the first time that "step (G) may not have any patentable weight." Examiner's Answer at pp. 22, 23, and 24. In particular, the Examiner makes this argument on the basis that "[t]here is no positive recitation step of the user 'repaying the loan obligation.'" For purposes of this Reply, the Applicants assume that this "new argument" is not a "new ground of rejection," particularly since the Examiner's Answer does not "designate" this as a new ground of rejection (see 37 CFR § 41.39(b) and MPEP § 1207.03(I) ("Any new ground of rejection made by an examiner in an answer must be ... prominently identified in the 'Grounds of Rejection to be Reviewed on Appeal' section and the 'Grounds of Rejection' section of the answer (see MPEP § 1207.02).")).

A similar "permitting step" appears as a limitation in each of the independent claims, namely claims 8, 47, 54, 65, and 71. For simplicity, the Applicants refer to independent claim 8 in the following discussion, but this logic applies to each occurrence of a "permitting step" in any of the claims.

Claim 8 is not a method of repaying a loan obligation per se. For at least the reasons set forth below, the Applicants respectfully submit that the step of actually repaying the loan is not required to fulfill the promise of claim 8's preamble and to give limitation (G) and the similar limitation in claims 47, 54, 65, and 71 patentable weight.

As the preamble for claim 8 provides, this is a method of facilitating repayment of a loan. The claim thus includes steps necessary to enable repayment of a loan according to

this embodiment of the invention. In steps (A)-(F), claim 8 requires the following, stated in simplified fashion: (a) establishing a website, (b) recognizing a user of the website, (c) directing the recognized user to particular merchants, (d) enabling accumulation of loyalty points by the recognized user based upon purchases from those merchants, (e) monitoring the user's purchases from those merchants, and (f) tracking the accumulated loyalty points. Through step (F) of claim 8, therefore, a series of steps have occurred, resulting in the accumulation of loyalty points. All that remains to fulfill the promise of the preamble is to enable the user to apply those accumulated loyalty points to reduce a loan balance. This last step is the subject of limitation (G), which reads in full as following for claim 8: "said first party permitting said first one of said recognized second-party users to selectively repay the loan obligation based upon discretionary redemption of said accumulated loyalty points." If, as suggested by the Examiner, a positive recitation of actually repaying the loan were expressly included in claim 8, that would derail the flow of the claimed method. The user/borrower would go from being a "passenger" for whom a process takes place, to being a "driver" who is required to actually carry out one of the steps of the method. Stated using a different banking analogy, if John Smith wants to borrow money from Big Bank, that does not require John to personally set up all of the loan policies, procedures, and processes for Big Bank. Big Bank takes care of setting up a lending process, and John later takes advantage of that process by taking out a loan from Big Bank.

"Permitting" as used in limitation (G) involves the selective acceptance and application of accumulated loyalty points to reduce the balance of a loan. Although the borrower may, in the background of method claim 8, "offer up" loyalty points as a prelude to step (G), "permitting" in limitation (G) concerns the first party accepting those "points" to reduce the balance of a loan. The selective acceptance of "points" essentially as "cash" to reduce the balance of a loan is a positive act carried out by a party other than the user/borrower. The Applicants thus respectfully submit that all of the stated limitations in claim 8 can and should receive patentable weight without requiring the suggested and unnecessary derailment of claim 8's logic. This reasoning applies to each independent claim comprising a "permitting" limitation.

Assertions Related to KSR Int'l Co. v. Teleflex Inc.

The Examiner's Answer asserts that the Applicants' Appeal Brief presents arguments that are no longer effective after the US Supreme Court's KSR decision. Although some of the Applicants' prior arguments did reference the TSM test, the Applicants respectfully submit that the majority of their arguments remain valid after KSR. First, some of the arguments are completely unaffected by the KSR decision. Second, as stated in KSR, "[t]here is no necessary inconsistency between the idea underlying the TSM test and the Graham analysis. But when a court transforms the general principle into a rigid rule that limits the obviousness inquiry, as the Court of Appeals did here, it errs." KSR, 127 S. Ct. at 1741. Thus, KSR did not overrule or supplant the TSM test; the Court only overruled any requirement to rigidly apply that test during all obviousness determinations.

To the extent that the Applicants' arguments do rely upon the TSM test, the Applicants respectfully submit that KSR does not require that the Board completely ignore those arguments. For example, it remains true even after KSR that an examiner's bald assertion that "it would have been obvious" to modify and combine references is, standing alone, insufficient to support the purported combination of those references. The Examiner's Answer is, nevertheless, replete with such bald assertions. See, e.g., Examiner's Answer at pp. 8, 12, 13, 14, 15, 19, 20, 21, 23, 24, and 25. The Examiner not only fails to establish that each of the claim limitations is present in the cited references, but he also makes several bald assertions of combinability, baldly asserting the combinability of personally modified "versions or readings" of the references. For example, at one point, the Examiner states that Feidelson is insufficient. The Examiner also states that Shurling fails to meet the deficiencies of Feidelson and then suggests a nonobvious and nonintuitive modification of Shurling. As the Supreme Court noted in KSR, to establish obviousness, it is not enough to merely demonstrate that each of claimed elements is, independently, known in the prior art. KSR, 127 S. Ct. at 1741 (citing United States v. Adams, 383 U.S. 39, 148 USPQ 479 (1966)). In the instant application, the Examiner has failed to demonstrate that each of claimed elements is known in the prior art, and he has also failed to establish that the references are properly combinable in the asserted § 103(a) rejections. In their Appeal Brief, the Applicants have already argued why the cited references, whether considered alone or in combination, fail to teach or suggest all of the claim limitations.

Conclusion

The Applicants' claims set forth the steps carried out to "facilitate repayment of a loan." Their invention is a method for giving a borrower a unique way to pay back a loan – rather than having to pay the lender in cash, the borrower can buy other items she needs, and a portion of the purchase price for those other items paid to the selected merchants "comes back" to the borrower via an arrangement between the lender and the selected merchants, ultimately reducing the borrower's debt with the lender. The Applicants submit that it is counterintuitive to "buy more" to pay back your loan. The claimed invention is not "a method of repaying" a loan, which might logically include a step where a borrower actually makes a payment. Rather, it is a method of "facilitating repayment" of a loan, which only requires steps to make it possible for a borrower to repay a loan. Stated another way, the claimed method is an available "tool" for a borrower to use, but need not positively require the borrower to use that tool. By analogy, an inventor should be able to patent aspects of a car, which facilitates driving, without having to positively claim driving that car.

For all of the above-stated reasons, the Applicants respectfully request that the rejections be reversed, allowing a patent to issue.

Respectfully submitted this 26 day of September 2007.

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